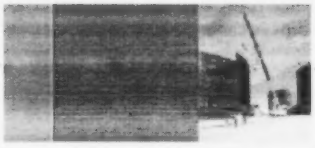
2004
Investment and Economic Analysis
Resources, Wildlife and Economic Development

NWT Economic Trends

issue 1 | first quarter

capital investment intentions down in 2003



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Capital investment, or investment in the construction of buildings and the purchase of new equipment, is one of the fundamental pillars supporting economic development in any economy. The capital investment required to build the Ekati™ and Diavik diamond mines, for example, created significant business and employment opportunities in the NWT.

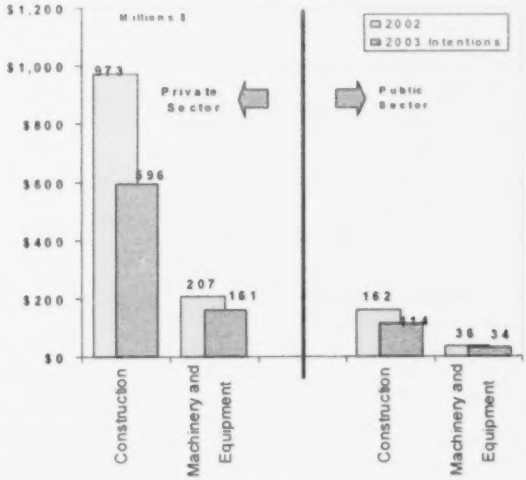
Capital construction by private industry, in particular the nonrenewable resource industries, has been the major driver of economic growth in the NWT through 2001 and 2002. Investment by the nonrenewable resource sector comprised 79% of total investment in 2001, and 70% in 2002.

With completion of the Diavik mine, construction capital investment was expected to decline from $973 million in 2002 to $596 million in 2003, a 39% decrease.

By comparison, public sector investment is significantly smaller. Construction investment in the public sector is also expected to decline from $162 million to $114 million in 2003, a decline of around 30%.

Considering the large size of major resource projects, we can expect to see large shifts in investment over the next decade as projects, such as the Snap Lake diamond mine and the Mackenzie Valley gas pipeline, come on stream.

Chart 1: Capital Investment Intentions



Source: NWT Statistics Bureau
Newsletter July 31, 2003

wholesale trade, retail trade and manufacturing seeing record growth in the NWT

As outlined on page 1, the NWT economy has benefited from significant investment over the past few years. The NWT business community has responded to this opportunity and business growth has significantly exceeded Canadian averages.

While wholesale trade is not usually considered a major NWT industry, it now accounts for $261 million in annual sales. On average, sales have been increasing by $188,000 per month. Table 1 highlights NWT and Canadian trends.

Chart 2, on the following page, plots monthly wholesale trade since 1999. As shown in the chart, sales are very cyclical, peaking with the winter resupply of the diamond mines.

Retail trade is dependent upon personal incomes, which are also associated with investment, production and employment. Over the past three years, retail trade growth has also exceeded the Canadian averages. With Diavik entering production in 2003, growth is expected to remain strong. Table 2 compares retail trade in the NWT to Canada while Chart 3 plots monthly sales since 1999. As shown in the chart, sales have been increasing by over $320,000 per month. Peaks are clearly associated with Christmas.

Manufacturing is another NWT growth industry. Its development, like wholesale trade, is closely associated with resource development, especially NWT diamond processing. Other manufacturing activities include building products, ductwork, concrete and printing/publishing. The Minister of Resources Wildlife and Economic Development recently tabled a report by the Business Advisory Panel on "Supporting Manufacturing and Value Added Industries in the NWT". The report makes several recommendations to the Minister on how to encourage growth in this important industry.

Table 1: Wholesale Trade in the NWT

Year	Wholesale Trade ($'000)	% Growth NWT	% Growth Canada
1999	147,284		
2000	159,535	8.3	6.7
2001	193,099	21.0	2.5
2002	260,844	35.1	6.3

Source: NWT Social-Economic Scan 2003, NWT Bureau of Statistics

Table 2: Retail Trade in the NWT

Year	Retail Trade ($'000)	% Growth NWT	% Growth Canada
1999	370,979		
2000	394,851	6.4	6.2
2001	433,536	9.8	4.4
2002	506,315	16.8	6.0

Source: NWT Social-Economic Scan 2003, NWT Bureau of Statistics

Table 3: NWT Manufacturing Shipments

Year	Manufacturing Shippments ($'000)	% Growth NWT	% Growth Canada
1999	18,823		
2000	23,842	26.7	9.2
2001	35,808	50.2	-5.3
2002	43,532	21.6	1.9

Source: NWT Social-Economic Scan 2003, NWT Bureau of Statistics

Chart 2: Wholesale Trade in the NWT

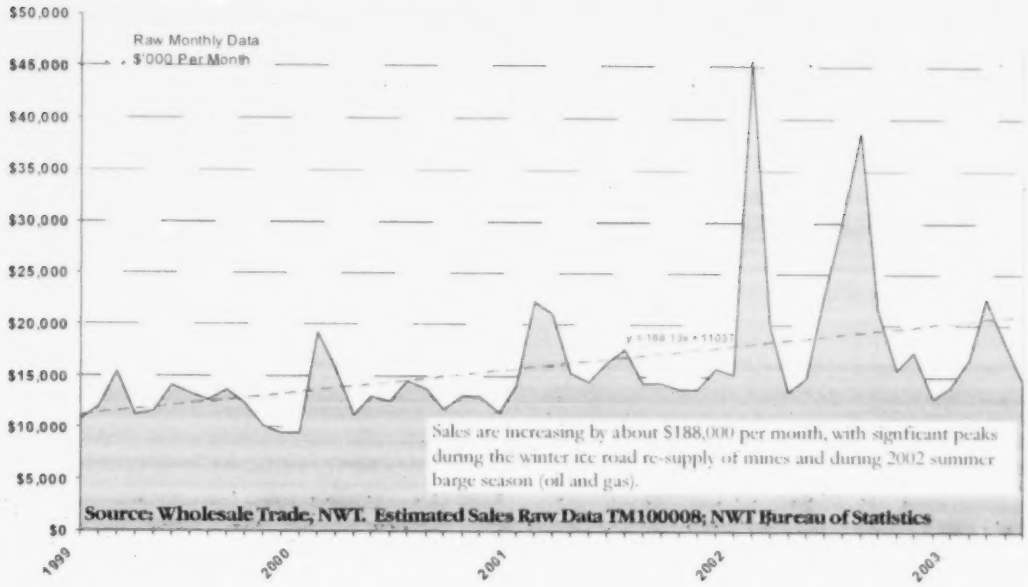
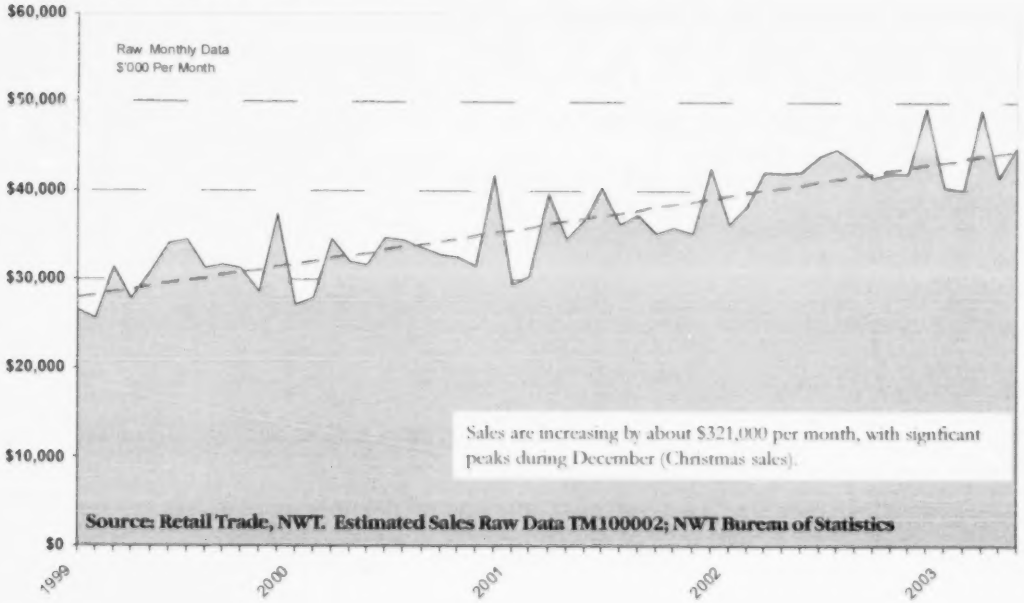


Chart 3: Retail Trade in the NWT



2002 tourism exit survey
summer visitation patterns in the NWT

(Developed in Cooperation with NWT Arctic Tourism and the Parks and Tourism Division, RWED, Government of the Northwest Territories)

In the summer of 2002, the GNWT conducted an exit survey of visitors to the Northwest Territories. Visitors were interviewed at ferry crossings, airports and visitor centres throughout the territory. Two survey questionnaires were used: a long form version designed to obtain detailed information on trip characteristics, visitor demographics and travel motivation, and a short form designed to capture basic information on origin and destination. In all, 3,286 long form interviews were completed, and almost 7,400 short form interviews were obtained.

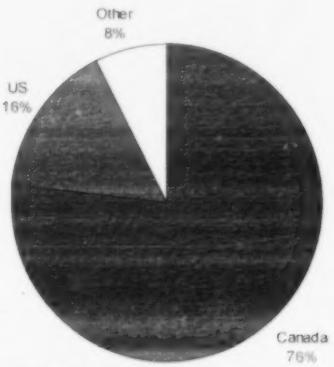
The overall results for numbers of visitors, tabulated by mode and purpose of travel, are shown in tables 4 and 5, page 5.

During this period, the largest proportion (40%) of visitors to the NWT were visiting for the purpose of general touring; other large segments include business travel (25%), visiting friends and relatives (14%), fishing (11%), outdoor adventure (7%) and hunting (3%).

From May through August, 2002, an estimated 37,790 people visited the NWT. Over three quarters (76%) of visitors were other Canadians. Another 16% originated from the US while the remaining 8% were from outside North America (see chart **4**). Of this latter group, more than one third came from Germany, Switzerland or Holland, countries which represent a growing market for NWT tourism.

Excluding business travelers or people visiting friends or relatives, leisure visitors to the NWT spent close to $29 million in the NWT during the period of the survey. The breakdown of visitors by type is presented in table **4**.

Chart 4: Tourism Origins Summer 2002



Source: RWED 2002 Exit Survey

Overall, during the summer of 2002, visitation to the NWT increased by 20% compared to the same period in 2001. This increase is likely the result of reduced overseas travel by North American's after the terrorist attacks of September 11.

Table 4: Visitors to the NWT by Market Segment and Type of Travel

	Road				Air				Total
Visitor Segment	Canada	US	Other	Total Road	Canada	US	Other	Total Air	Road / Air
Business	1,220	118	15	1,353	7,740	300	114	8,154	**9,507**
General Touring	9,364	2,227	1,246	12,837	1,539	426	403	2,368	**15,205**
VFR	3,731	59	149	3,939	1,210	24	33	1,267	**5,206**
Fishing	1,624	273	71	1,968	971	1,249	80	2,300	**4,268**
Hunting	53	41	-	94	115	680	33	828	**922**
Outdoor Adventure	644	251	338	1,233	760	310	380	1,450	**2,683**
Total Individuals	16,636	2,968	1,819	21,423	12,335	2,989	1,043	16,367	**37,790**
Parties	**6,222**	**1,408**	**743**	**8,373**	**5,094**	**673**	**278**	**6,045**	**14,418**

Table 5: Distribution of Visitors to the NWT by Market Segment and Type of Travel

	Road				Air				Total
Visitor Segment	Canada	US	Other	Total Road	Canada	US	Other	Total Air	Road / Air
Business	3%	0%	0%	4%	20%	1%	0%	22%	25%
General Touring	25%	6%	3%	34%	4%	1%	1%	6%	40%
VFR	10%	0%	0%	10%	3%	0%	0%	3%	14%
Fishing	4%	1%	0%	5%	3%	3%	0%	6%	11%
Hunting	0%	0%	0%	0%	0%	2%	0%	2%	2%
Outdoor Adventure	2%	1%	1%	3%	2%	1%	1%	4%	7%
Total Individuals	44%	8%	5%	57%	33%	8%	3%	43%	100%
Parties	**43%**	**10%**	**5%**	**58%**	**35%**	**5%**	**2%**	**42%**	**100%**

(VFR = Visiting Friend or Relative)

** Summation Errors May Be Due to Rounding

Source: RWED 2002 Exit Survey

Older Travellers are a Growing Trend in Leisure Travel

The tourism market can be broken into segments. Chart 5 highlights the number of visitors to the NWT by segment in 2002, while Chart 6 estimates total sales per segment. As shown in Chart 6, the hunting segment, while small in numbers, contributes significantly to overall revenues.

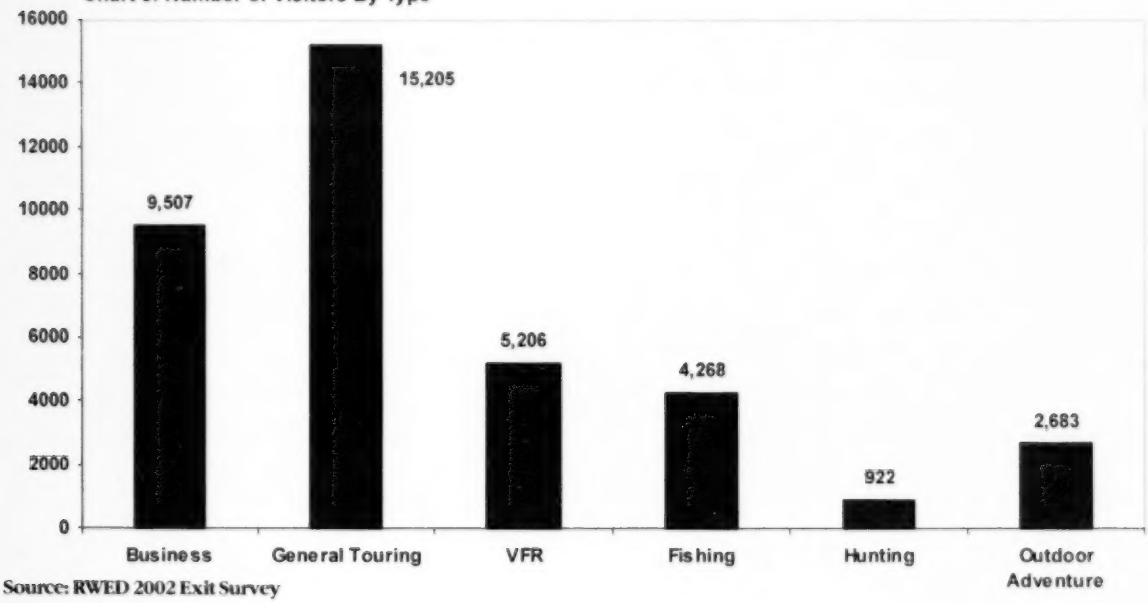
The largest sales segment, general touring, can be broken into two distinct age groups; one with an average age of 31, and the other with an average age of 62. The older age group represents a growing trend in leisure travel. As "baby boomers" age, vacation travel will be increasingly geared toward the requirements of older travelers. In fact, over 40% of leisure visitors to the NWT in the summer of 2002 were retired.

The older segment of the general touring visitors are highly motivated by the desire to experience nature, and other cultures. They also have concerns about safety and hygiene when considering vacation travel destinations. They tend to value independent travel, and "soft" outdoor experiences as opposed to physically challenging activities. The cost of the trip is not a significant factor in chosing a destination.

Younger visitors tend to be less concerned with safety and hygiene, and motivated more by opportunities for physical challenge. They are also more price conscious than the older segment.

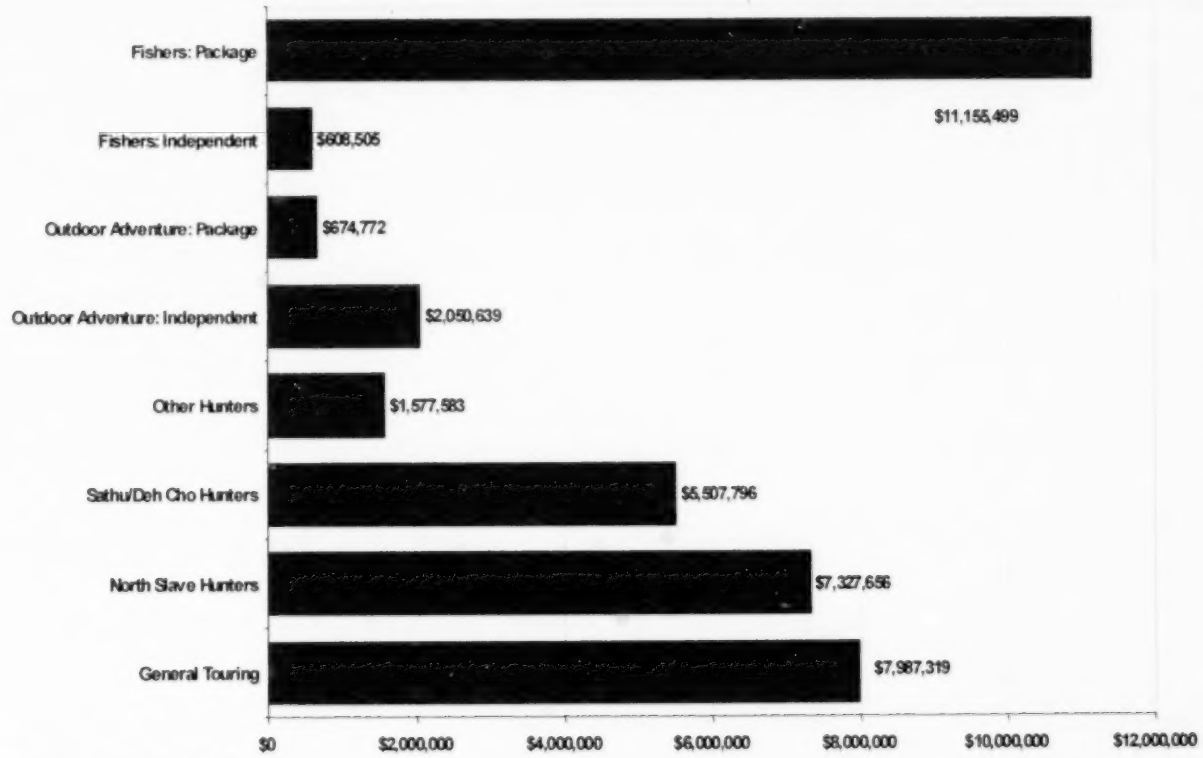
Additional information on tourism trends can be found at the www.InvestNWT.com web site, under the library section.

Chart 5: Number of Visitors By Type



Source: RWED 2002 Exit Survey

Chart 6: Source of Tourism Sales



Source: RWED 2002 Exit Survey

imported labour - reducing the benefits of NWT resource development

(Source: Newsletter - NWT Bureau of Statistics, Department of Finance)

Table 6 - Labour Income 2001 and 2002
Domestic and National Basis, Northwest Territories
Current Dollars ($millions)

	In Millions			
	2002	2001	2000	1999
Labour income: domestic-basis (Paid From the NWT)	$1,467	$1,279	$1,108	$1,041
Labour income: national-basis (Earned By NWT Residents)	$1,210	$1,075	$ 976	$ 919
Estimated non-resident labour income	$ 257	$ 204	$ 132	$ 122
% Non-Resident	**18%**	**16%**	**12%**	**12%**

A major benefit of resource development is employment, either directly with the project, or indirectly within the trade or service industries. The NWT labour market is relatively small compared to the provinces. Distances between communities are large, and commuting is often expensive. These factors often make it necessary to import skilled labour.

Table 6 compares labour income in the NWT from two different sources. The **domestic-basis** estimate includes all labour income earned in the NWT, resident and non-resident. The **national-basis** estimate only includes the income of NWT residents regardless of where their activity takes place – i.e., either within, or outside, the NWT.

With these limitations in mind, an interpretation of the information in Table 6 indicates that for 2002, 18% of total labour income earned in the NWT, almost $260 million, went to non-residents. This is up from the 2001 estimate of 16%, and the increase is even more dramatic in comparison to 2000 and 1999. Most likely, the increase in non-resident labour over 2001 and 2002 was associated with Diavik mine construction, and to a lesser extent oil and gas exploration and development activities. With completion of construction at Diavik in early 2003, it is expected that this ratio will fall somewhat in 2003.

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